

Empowering Consumers

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Together, we have the power: Energy Aggregation for Small Consumers Workshop

City of Moreland

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The restructuring of the energy industry is a threat and an opportunity for small consumers:

- Rural
- Urban
- Low-income
- Farmers
- Small business

Options

As small consumers, our options are:

- Do nothing - waiting for others to resolve the issues.
- Study energy restructuring – so that we can understand what is going on.
- Participate in the restructuring debate.
- Select a provider when we are deemed contestable.
- Form and participate in an aggregation group.

Strengths & Weaknesses

The do nothing option is based on depending on others to make the right, and better, decisions e.g. politicians, regulators or suppliers.

A regulator such as the Office of the Regulator-General, Victoria, does not, however, represent consumers and it is a mistake to imbue ORG with this role.

Studying energy restructuring is the basis for action – provided it does not become an end in itself.

There is little point to understanding how we are at risk – unless we act on this understanding.

Participation in the energy restructuring debate is also essential but, again, not an end in itself if it

assumes that the beginning and end of this participation is to persuade others to act and limit ourselves to making submissions, attending public meetings and serving on committees.

While submissions are important, they are limited by the structured expectations of inquiry processes – expectations about who is saying what.

Selecting a provider is based on an assumption that significant individual consumer choice and benefit is achievable - ignoring the limited bargaining power of individuals. Forming and participating in an aggregation group is based on study, participation and action.

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Aggregation Options

The basis for an aggregation choice is that members obtain service at a total cost less than the costs of individual members buying or providing for themselves. Savings are captured through lower administrative costs, quantity purchasing discounts and assured levels of business with vendors and suppliers.

There are three basic aggregation options for small consumers:

- Union Aggregation
- Local Government Aggregation
- Co-operative Aggregation

Union Aggregation

There is a UK precedent for union involvement in energy purchasing.

The Trade Union Congress is the equivalent of our Australian Council of Trade Unions.

In 1998 the TUC established Union Energy – an energy

purchasing service for members of its affiliated unions.

Union Energy was established to give union members the best possible deal on gas and electricity.

A tender was put out and Scottish Power became the preferred provider. For joiners there is a guaranteed savings, an annual discount for joint purchasing of gas and electricity, credit for gas and electricity in case of redundancy and a 24 hour hotline.

Over a 12 month period 61 unions with a combined membership of 5.8 million have endorsed Union Energy and 25,000 of their members have joined.

In recent years the ACTU has been involved in two business initiatives for unions and their members:

- Virtual Communities – providing PC's and Internet Access.
- Members Equity – providing financial products and services. Members Equity has been

formed by AXA Australia and various superannuation funds.

It could be a logical next step for the ACTU to become involved in energy purchasing through an existing or new business partner.

While unions have critically supported the development of industry-based credit unions from the 1950's, it is unlikely that the ACTU will follow the National Trade Union Congress (NTUC) of Singapore. In 1969 the NTUC decided to reinvent the trade union movement through co-operatives.

The overriding objectives of the NTUC co-operatives are to stabilise prices of basic commodities and services, to strengthen and protect the purchasing power of workers and to allow union leaders to gain management experience and learn what makes for a successful business.

NTUC Income was the first co-operative

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established – an insurance co-operative, By 1996 the co-operative had more than 700,000 policy holders and assets exceeding \$2.5 billion. NTUC FairPrice is the largest supermarket chain in Singapore with 76 stores, sales of \$909 million and 3,800 staff.

Local Government Aggregation

Prior to the establishment of the State Electricity Commission of Victoria in 1921, the distribution and retailing of electricity was undertaken by local government, investor owned companies and co-operatives.

Up to the middle 1990's twelve local government supply authorities in Victoria were still distributing approximately one-fifth of the State's electricity, supplying 280,000 consumers, employing 1500 workers and with annual energy sales of \$380 million.:

- The City of Melbourne (1887)
- Footscray (1910)
- Preston (1912)
- Brunswick (1912)
- Box Hill (1912),
- Northcote (1913)
- Port Melbourne (1912)
- Heidelberg (1914)
- Coburg (1914)
- Doncaster & Templestowe (1914)
- Williamstown (1915)
- Omeo (1986).

This involvement of local government was continuously under attack by the SECV. Eventually, in the middle 1990's the Victorian Government compulsorily acquired and absorbed the municipal systems within a corporatised SECV – as a precursor to privatisation.

The Brunswick Electrical Supply Department was required by its Council to place particular emphasis on social justice, energy management, resource conservation and real community participation in policy and service priority and determination.

The City of Moreland has now established

the Moreland Energy Trust – using funds from the compulsory purchase of the Brunswick and Coburg Electricity Supply Departments.

In New South Wales the Port Stephens and 12 other local governments in the Hunter region are proposing to form an energy buying group.

Co-operative Aggregation

Co-operatives were providers of electricity in Victoria before the establishment of the SECV in 1921. Franchises were awarded, for example, to:

- Leongatha Butter & Cheese Co. Ltd (1909)
- Boort Co-operative Butter and Inc Co. (1913)
- Heyfield and District Co-operative Butter Factory and Electric Lighting Co. Ltd (1915)
- Orbost Butter & Produce Co. Ltd (1916)

In N.S.W. a group of co-operatives have recently completed a feasibility study into

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the formation of an energy co-operative:

- Macleay Regional Co-operative
- Hastings Co-operative Ltd
- Holiday Coast Credit Union
- Coastline Credit Union
- Banana Coast Credit Union

Together the co-operatives have an annual turnover of \$81 million, 520 employees, a total membership of 116,200 and an approximate annual electricity expenditure of \$387,000.

Since 1994 Co-operative Energy Ltd has been working towards the small consumer aggregation option.

Co-operative Energy has acted for a group of non-profit aged care agencies – achieving an average savings of 32%.

Co-operative Energy has also been working with a group of councils in North East Victoria, with the Hopetoun-based Gateway BEET in North West Victoria and a national credit

union in exploring energy purchasing options.

In the North East we have been considering a strategic alliance between a regional credit union, local government, a telecommunications co-operative and a 700-member small business group.

Co-operative Energy Ltd has participated in the energy debate. We have contributed six submissions to the distribution price review and three to the minimum standards review. We have also participated in Working Parties established by the Office of the Regulator-General, Victoria. There are two other Victorian purchasing co-operatives that should be mentioned. Both co-operatives have an interest in energy purchasing – Co-operative Purchasing Services Ltd and the New Market Co-operative Ltd. Unfortunately, neither co-operative was able to take up

the opportunity to speak today. CPS is a unique example of a local government and co-operative partnership.

CPS was established in 1989 – hosted by the Municipal Association of Victoria. The co-operative aggregates the buying power of local government in Victoria. The value of purchases made through CPS suppliers was almost \$70 million in 1998/99.

Our Assumptions

A co-operative is created when individuals and their communities voluntarily come together on the basis of equality and mutuality to promote their socio-economic well-being in a democratic manner and based on user ownership, control and benefit:

- User-owner: People who own and finance the co-operative are those that use the co-operative.
- User-control: People who

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control the co-operative are those that use the co-operative.

- User-benefits: The co-operative's sole purpose is to provide and distribute benefits to the users on the basis of their use.

Co-operatives are local enterprises. They are member driven. Their roots are firmly embedded in the local infrastructure. Of course, other forms of enterprise create and maintain jobs but they are not as inherently stable and rooted in the local economy as co-operatives.

Large multinational corporations look attractive because of their size, the very nature of their distant and detached ownership is a threat and means that ultimately local circumstances are outweighed by overriding priorities and strategies.

The co-operative sector straddles the divide between business and community.

Our Opportunity

Forming or participating in energy purchasing through co-operatives will enable consumers to create choices and benefits and effectively participate in the energy debate.

Through energy purchasing we can facilitate resources that strengthen our communities – and protect our environment.

We can reduce the cost barriers associated with a small consumer acting alone. An individual small consumer has neither the resources or the bargaining power to participate effectively in the market – to exercise real choices and secure real benefits. Any cost savings secured by an individual small consumer acting alone are outweighed by the cost of acting alone.

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A vision must have legs but legs, without a vision, have no

sense of where they are going and why.

What would benefit small consumers is an emerging system of existing or new energy purchasing co-operatives throughout Victoria.

Our ability to compete and bargain is directly proportionate to numbers and volume – the greater the number of consumers and the amount of energy load, the greater is our bargaining power.

Our aim in Victoria, therefore, is to organise, develop and service a Statewide small consumer energy purchasing network of community and affinity based consumer co-operatives - existing co-operatives or new co-operatives.

Typical affinity-based membership organisations could include business groups, churches, community service agencies, co-operatives, credit unions, education networks, friendly

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societies, sporting groups and unions.

Local Government also has a unique role in facilitating energy purchasing for small consumers because it represents local taxpayers and service users.

Statewide co-ordination of purchasing is consistent with local autonomy. Individual co-operatives or groups of members within co-operatives may be interested, for example, in purchasing green power.

The energy products and services of co-operatives would depend on local priorities, local circumstances and capital resources

Statewide purchasing through co-operatives working together is consistent with buying local and retaining profits and dividends within local communities.

Initially, it makes sense to focus on Statewide purchasing of electricity and gas –

shopping around for the best prices and services.

Conclusion

Former USA President Franklin Delano Roosevelt said that we had nothing to fear but fear itself.

We can make a difference – if we can get over the fear that we cannot make a difference.

This paper has argued that the basis for small consumers creating choices and benefits in the energy market is through aggregation, that numbers and volume count, that we must overcome the temptation of individualism and that the challenge is to demonstrate we can work together for our common benefit.

What small consumers have in common is our status of being small consumers and by working together we can help ourselves and each other.

It is our challenge and our opportunity to work together for our common benefit. If we can agree to work together, then, the structural form of this relationship can be determined together. I hope that this workshop will be another step towards the empowerment of small consumers in the energy market.

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